COVID-19: Self-Employment Income Support Scheme

Management of taxes **OMB**

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Claims for the second round of the Self-Employment Income Support Scheme can be made from 17 August to 19 October 2020, and we now have more information on the extension of the scheme for parents and reservists, as well as HMRC compliance and recovery powers.

The Self-Employment Income Support Scheme (SEISS) provides support to self-employed workers affected by the COVID-19 outbreak in the form of a cash grant.

Second payment

On 28 May 2020, the government announced that the scheme would be extended, with those eligible being able to claim a second and final payment from August 2020. A second Treasury Direction published on 1 July 2020 (https://tinyurl.com/ya8ovzx5) confirms that the claim period for this second payment will run from 17 August 2020 to 19 October 2020.

The second payment will be worth:

- 70% (previously 80%) of average monthly trading profits; zzcovering three months' worth of profits; and
- capped at a maximum of £6,570 (previously £7,500).

Eligibility and the definition of 'trading profits', 'average trading profits', 'non-trading income', etc. will remain the same as for the first payment under the scheme. However, in order to qualify for the second grant, the business has to be adversely affected by COVID-19 on or after 14 July 2020. This means that if a business was adversely affected on or before 13 July 2020, but is not affected on or after 14 July 2020, it will only have been eligible to claim under the first round of the scheme (which closed on 13 July 2020).

There is no requirement to have made a claim for a first payment in order to receive the second payment. This means that, for example, a business which has only been adversely affected by COVID-19 for the first time on or after 14 July can make a claim for the second payment.

HMRC's guidance gives some examples of how a person's business might be 'adversely affected by coronavirus' for both the first and second grants (see https://tinyurl.com/ycs46nwn), and the CIOT and ATT's webinar on 7 July 2020 also covered this in some detail (see below for the link and more information).

Extension for parents and reservists

The second Treasury Direction also sets out an extension of the scheme for those individuals who would otherwise not be eligible due to the effect on their trading profits and other income in the 2018/ 19 tax year of military reservist activities or having parental responsibilities. This extension only applies if the individual did not already qualify for the SEISS rules under the normal tests. It does not affect the amount of the grant available to those who already qualify for the scheme.

A separate claims process will be introduced for those who qualify for this extension, with both the first and second payments able to be claimed by 19 October 2020. At the time of writing, no further details on this claims process were available.
More information on the extension can be found on GOV.UK (https://tinyurl.com/y7g3f4c7).

Compliance and recovery powers

Legislation introduced by FA 2020 Sch 16 confirms how SEISS payments are to be taxed, as well as outlining HMRC's powers to recover amounts claimants are not entitled to and charge penalties. In outline, this legislation establishes the following:

- SEISS grants have to be reported in full on the 2020/ 21 self-assessment tax return, regardless of date of receipt, basis period or method of accounting.
- If an individual claims an amount they are not entitled to, they need to notify HMRC by the later of 90 days after Royal Assent or 90 days after the day the grant was received, and pay it back.
- Failure to do so could result in the amount being recovered through a 100% income tax charge, and interest and penalties applying.

- If an individual knew they were not entitled to the grant when they received it and failed to notify HMRC of that fact, they could face a deliberate and concealed penalty of up to 100% of the amount of the grant.

At the time of writing, no further detail was available as to the practical mechanism of repaying or notifying HMRC. HMRC were expected to publish guidance around the time that the Finance Act received Royal Assent. Please keep an eye on the ATT and CIOT websites for more details.

The CIOT commented on the draft Finance Bill legislation that was published on 29 May 2020 and provided a briefing on the legislation that was introduced at Report Stage and is now in FA 2020 Sch 16 (both sets of comments can be found at www.tax.org.uk/ref683). The ATT also commented on the draft legislation (see www.att.org.uk/ref360).

Ongoing work

Since the SEISS was first announced on 26 March 2020, the ATT and CIOT have worked with both members and HMRC to address queries on the scheme and provide support.

All the latest information can be found on the ATT and CIOT websites. The CIOT page covering the scheme (www.tax.org.uk/COVID19SEISS) is frequently updated as we receive more information, as are the ATT detailed guidance note (www.att.org.uk/COVID19SEISS) and accompanying FAQs (www.att.org.uk/COVID19SEISSFAQ).

The ATT and CIOT also held a very popular second webinar on the SEISS on 7 July. A recording of this webinar and the slides used can be found on the ATT website (www.att.org.uk/ COVID19SEISSJUL) and CIOT website (www.tax.org.uk/COVID19SEISSJUL).
If you have any queries or feedback on the scheme, please send these to technical@ciot.org.uk or atttechncial@att.org.uk, and do keep an eye on our websites for all the latest information.